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Outsourcing Workshop

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**Outsourcing Information Systems
Programme—Europe
(OEOSP)**

Outsourcing Workshop

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Overview of Outsourcing Market in Europe

E-OU-28

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Notes

Systems Operations, Europe

Key Trends

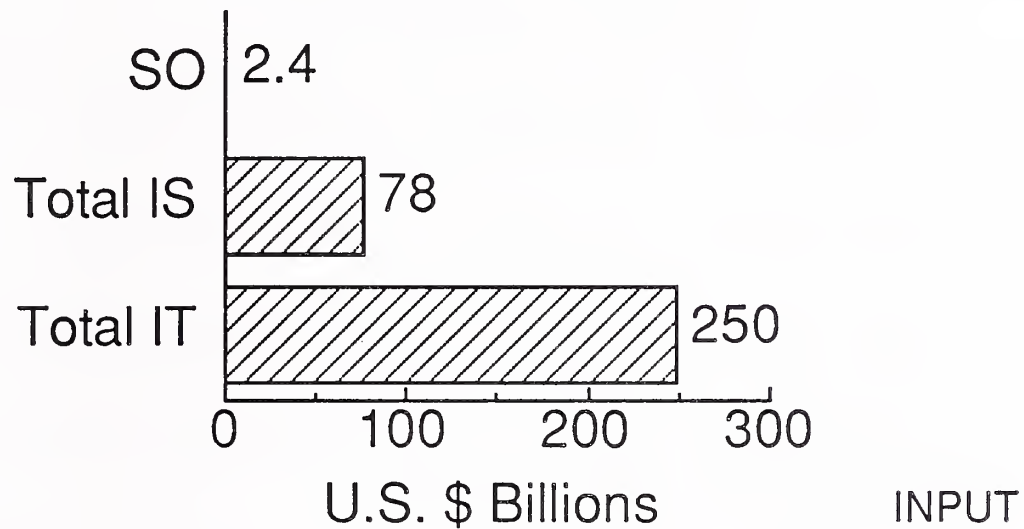
- Users' outsourcing becomes more complete
- New types of service emerging
- Vendors seek increased profitability

E-SO-58

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Notes

Total IT Expenditure Europe, 1991



E-IS-35

Notes

Operational Software Support Conclusions

- Untapped market opportunity
- Total user spend ~ \$44 billion
- Less than 1% is outsourced
- Primary need—IS management skills

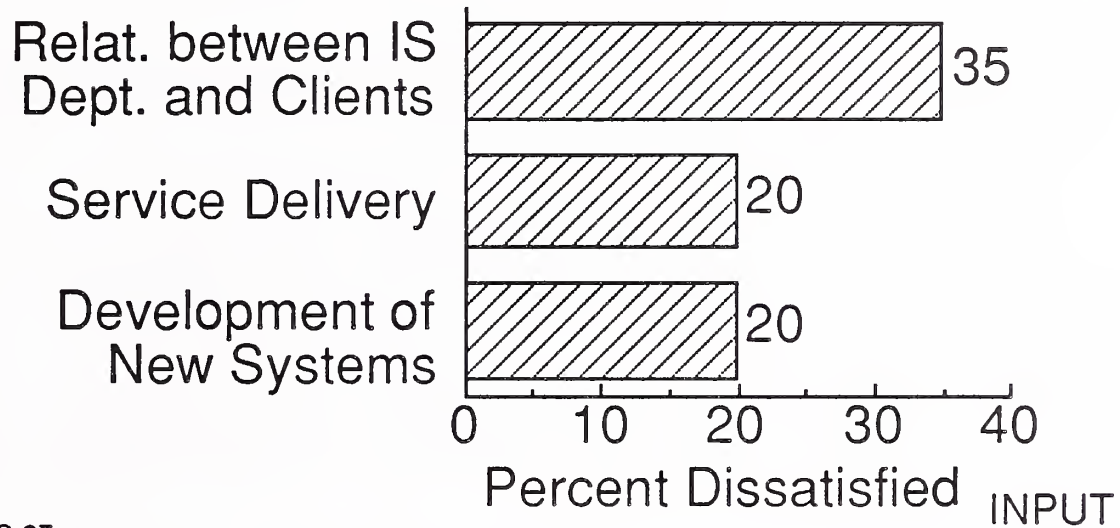
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Notes

Europe

Major Challenges for IS Depts.



E-IS-37

Notes

Outsourcing, Europe

Identification of Prospects

Low

Level of In-house
IS Capability

Changing Co. Struct.	Remote Subsid.
Changing Business Focus	New Acquisition
Stable Well-Focused Org.	Change of CEO

Quality of Relat. Between IS & Clients

High

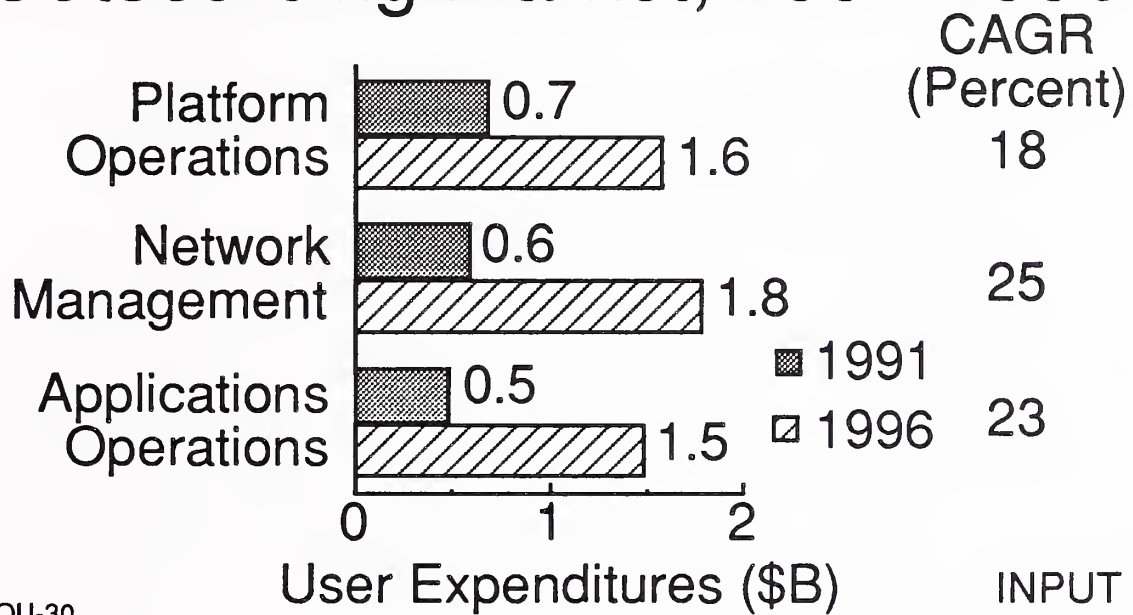
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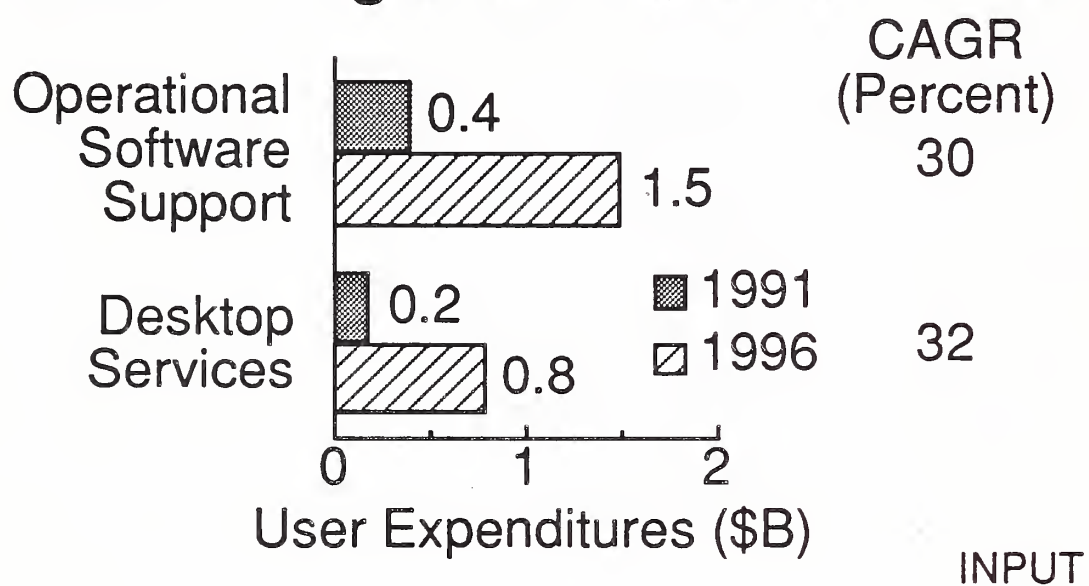
Europe Outsourcing Market, 1991-1996



E-OU-30

Notes

Europe Outsourcing Market, 1991-1996



E-OU-31

Notes

Outsourcing, Europe

Principal Reasons for Platform Operations

Factor	Degree of Imp.
Easier planning of IS costs	High
Complexity of technology	High
Difficulty in recruiting staff	Med.
Change in technology used	Med.

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Notes

Platform Operations, Europe

Nature of Renewals

- Existing service levels crucial
- Users attempt to drive down costs
- Users more susceptible to total solution

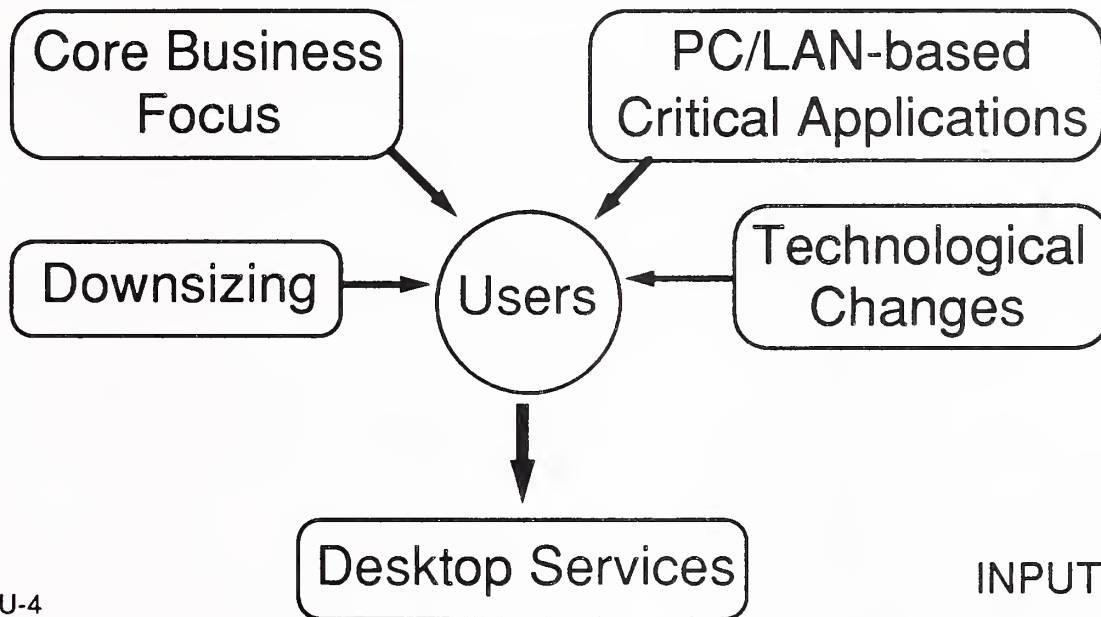
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Notes

Desktop Services, Europe

Driving Forces



Notes

Desktop Services, Europe

The Decision Process

Size of Organization	In-House Capability Level	Source of decision to outsource
Large organizations	High	Senior executives
Medium-sized organizations	Low	IS management

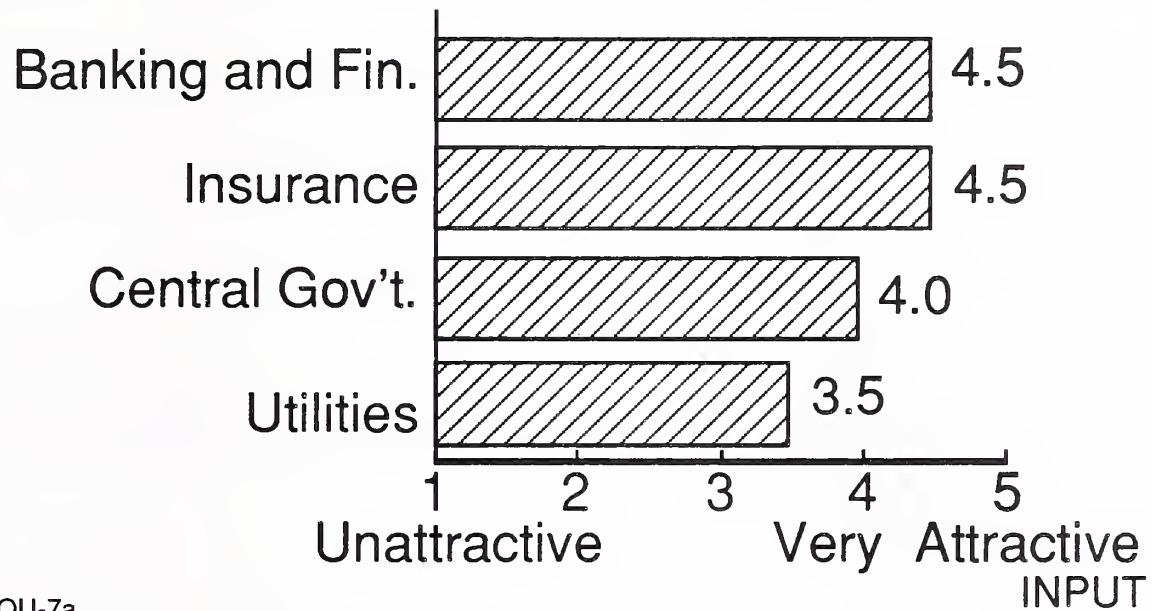
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Notes

Desktop Services, Europe

Attractiveness of Industry Sectors



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Notes

Network Management Outsourcing Drivers

- Increasing reliance on the network—globalisation of business
- Increasing complexity of networking technology
- Increasing volatility of the public network infrastructure

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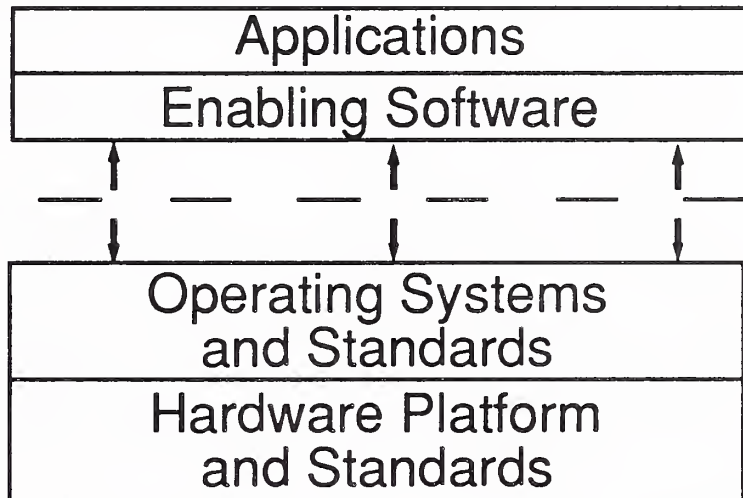
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Uncoupling Applications from Infrastructure

Dynamic
Business
Environment

— — —

'Static'
Supporting
Platform



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Notes

Operational Software Support Outsourcing Drivers

- Dependence on aging application systems
- Resource management difficulties
- Software staff discontent

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Notes

Operational Software Support Conclusions

- Untapped market opportunity
- Total user spend ~ \$44 billion
- Less than 1% is outsourced
- Primary need—IS management skills

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Notes

Application Operations, Europe

Reasons for Adoption

Factor	Degree of Imp.
Making IS relate to business needs	High
Making IS more manageable	High
Easier planning of IS costs	High
Need to reduce IS costs	High

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Notes

Application Operations, Europe

Vendor Selection Criteria

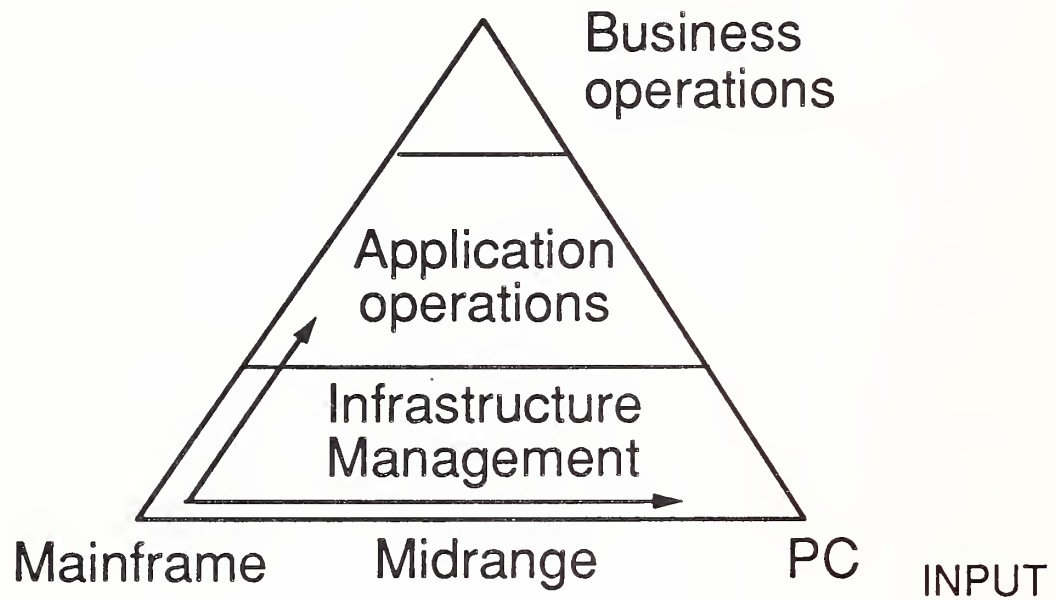
Factor	Rating
Industry knowledge	High
Business consultancy skills	High
Development capability	High
Vendor independence	High

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Notes

Outsourcing Trends



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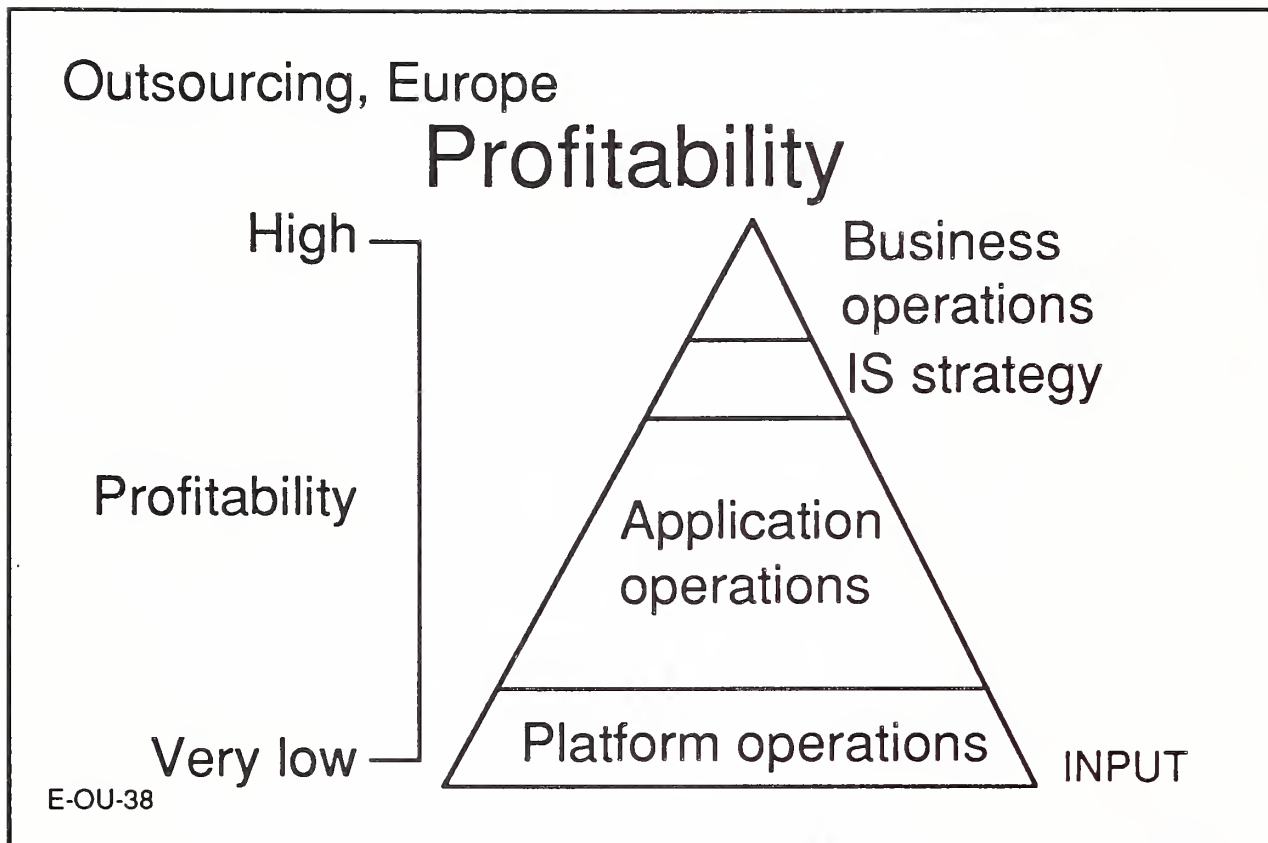
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Outsourcing Vendor Strategies

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Notes



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Systems Operations Success Factors

Platform operations	Cost base Financial stability
Application operations	Industry knowledge Development capability
Application management	Technical development capability

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Notes

Outsourcing, Europe

Leading Vendors, 1990

Rank	Company	Est. Rev. (\$M)
1	CGS/Hoskyns	145
2	EDS	132
3	AT&T Istel	78
4	GSI	64
5	SD-Scicon	59

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Notes

Leading SO Vendors United Kingdom, 1990

Company	Revenue (£M)	
Hoskyns	70	
AT&T Istel	40	
Data Sciences	22	
EDS	16	
Sema/ITnet	15	INPUT

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Notes

Outsourcing Product Lines Hoskyns

- Midrange
- Mainframe
- Application management
- Desktop services

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Hoskyns—Application Management Contracts

Company	Contract Details
ICI Agrochemicals	Transfer of 57 personnel
PowerGen	Support for non-strategic systems
Prudential Holborn	Maintenance/enhancement

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Notes

AT&T Istel

Breakdown by Service Type Outsourcing Customer Base

Service	(%) of Contracts
FM and efficiency mgmt.	55
Service management	35
Change management	5
Information systems mgmt.	5

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Notes

Data Sciences: Strategy

- Develop existing client base
- Target applications development for medium-sized organisations
- Partner Computeraid for desktop services

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Notes

Data Sciences Outsourcing Contracts

Client	Contract Details
Sedgwick	Potentially 2,000 PCs
Sphere Drake	Downsizing to PC LAN
National Grid	UNIX-based network

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Notes

Andersen Consulting Outsourcing Strategy

- Low emphasis on platform operations
- Target application management
- Target business process services

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Notes

Andersen Consulting—Examples of Outsourcing Contracts

Company	Contract Details
Thames Water	Transition management
Stock Exchange	Platform operations
Yorkshire RHA	Transition management

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Notes

TeleCom Capita Outsourcing Activities

- Purchased Royal Institute of Public Administration
- Takeover of local government revenue collection
- Collects community charge for 23 councils

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Notes

P&P: Service Offerings

- Contract managed support
- Dealer to Times Top 100
- Frequently take on user IS personnel
- Open relationship
- Tailored service

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Notes

Desktop Services, Europe

P&P: Strengths

- Targeting Times Top 100
- Vendor independence
- Breadth and depth of PC knowledge

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Notes

Desktop Services, Europe

P&P: Weaknesses

- Lack of proprietary systems operations capability
- European coverage
- Lack of industry expertise

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Notes

Digital U.K. Outsourcing Revenues

Service Category	Annual Revenues (£M)
Systems operations	7
Network management	6
Desktop services	5
Total	18

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Digital—Outsourcing Target Markets

- Finance sector
- Utilities
- Retail sector

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Notes

Axone: Outsourcing Strategy

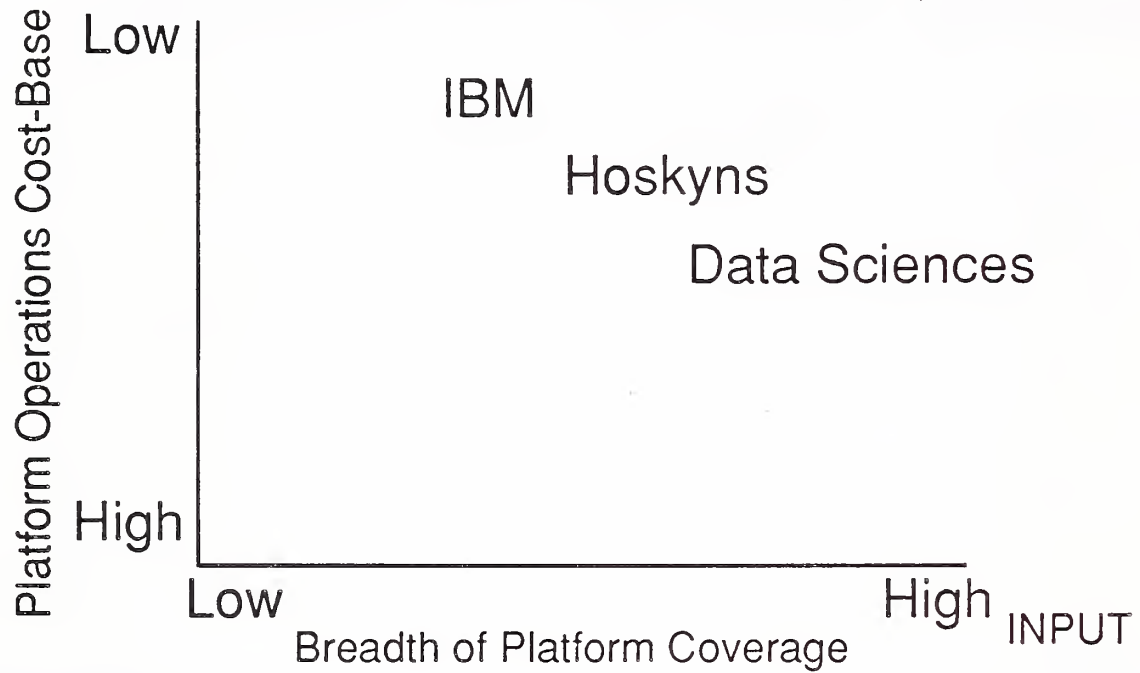
- High growth from transition management services
- Developing multivendor platform operations
- Application management on midrange platforms

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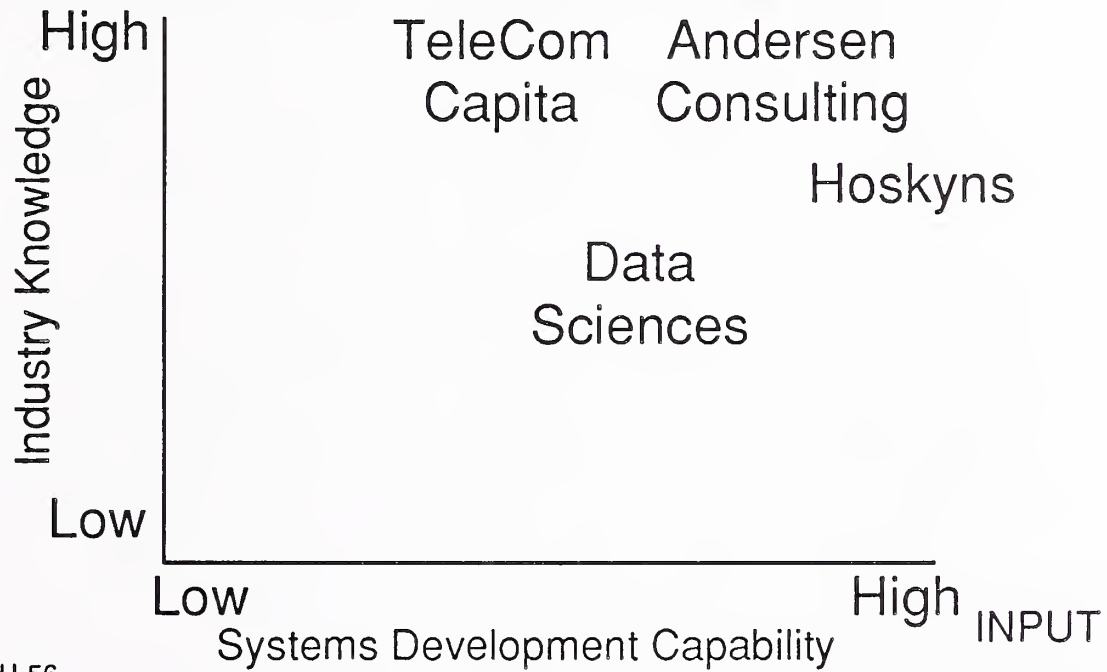
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Vendor Positioning (1)



Notes

Vendor Positioning (2)



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